

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

| | | |
|----------------------------|---|-----------------------|
| |) | |
| |) | |
| EAGLE CREST ENERGY COMPANY |) | PROJECT NO. 12509-000 |
| |) | |
| |) | |
| |) | |

**METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA’S
COMMENTS REGARDING REQUEST FOR USE OF TRADITIONAL LICENSING
PROCESS**

The Metropolitan Water District of Southern California (“Metropolitan”) respectfully submits the following comments regarding Eagle Crest Energy Company’s Request for Use of Traditional Licensing Process for the proposed Eagle Mountain Pumped Hydroelectric Storage Project, FERC Project No. 12509 (“Eagle Mountain Project”). These comments are tendered pursuant to 18 C.F.R. § 5.5.

1. Metropolitan is a public agency created in 1928 by vote of the electorates of several southern California cities. Metropolitan is one of the country’s largest wholesale water suppliers, delivering supplemental water for domestic and municipal use to more than 18 million people through its 26 member agencies. Metropolitan’s service area encompasses the six county region of southern California (Los Angeles, Orange, Riverside, Ventura, San Diego, and San Bernardino), an area covering nearly 5,200 square miles. Metropolitan supplies an average of 1.7 billion gallons of water per day and more than 2 billion gallons on

a hot day. Over the course of the year, Metropolitan imports on average from 1.5 to 2.1 million acre-feet of water.

2. Metropolitan's imported water is derived from two primary sources: the Colorado River Aqueduct ("CRA") and the California State Water Project ("SWP"). Metropolitan constructed, owns, and operates the CRA, which brings water from the Colorado River into southern California. The second major water supply for Metropolitan is the SWP, which captures and stores runoff from the Sacramento/San Joaquin Delta watershed in northern California and delivers the water to areas of need in northern, central, and southern California. Metropolitan is the largest of the 29 contractors that purchase water through the SWP.

3. Eagle Crest Energy Company ("Eagle Crest") proposes to develop the Eagle Mountain Project as a 1,300 MW pumped storage hydroelectric project consisting of an upper and lower reservoir, intake and outlet structures, a powerhouse, a 500 kV transmission line, and other appurtenant features. Eagle Crest intends to site the development of the Eagle Mountain Project in the Chuckwalla Valley region of Riverside County, California, on land controlled by the Bureau of Land Management and on private property owned by Kaiser Eagle Mountain, LLC. Eagle Crest proposes to fill and replenish the reservoirs with water obtained from dedicated groundwater wells.

4. The CRA lies immediately east of the proposed location for the Eagle Mountain Project. In the past, Eagle Crest sought to obtain Metropolitan's agreement to use CRA water to fill its reservoirs. Metropolitan opposed that request, as such water is required to meet the water supply demands of its member agencies. Moreover, Section 131 of the Metropolitan Water District Act (Cal. Stat. 1969, Chapter 209) precludes Metropolitan from

selling water outside of its service area, unless such sale is made to the federal government or for the purpose of generating electric power which is used directly or indirectly, through exchange, for pumping, producing, treating or reclaiming water for use within the district. The Eagle Mountain Project is located outside Metropolitan's service area, and Metropolitan has entered into long-term power contracts that provide ample electric power for operation of the CRA.

5. Eagle Crest previously obtained preliminary permits for its Eagle Mountain Project, later applying for a hydroelectric license. The Commission, however, denied the earlier application. In June 2004, Eagle Crest again applied to the Commission for a preliminary permit for the Eagle Mountain Project, FERC Project No. 12509. The Commission granted the preliminary permit in March 2005.

6. On January 10, 2008, Eagle Crest filed the following items with the Commission in pursuit of a hydroelectric license for the Eagle Mountain Project: (1) Notice of Intent to File Application for Original License, (2) Pre-Application Document ("PAD"), and (3) Request for Use of Traditional Licensing Process ("TLP Request"). Notice of these filings was published in the January 9, 2008, issue of the *Riverside Press Enterprise*. The publication invited comments on Eagle Crest's request to use the Traditional Licensing Process ("TLP").

7. Because the Eagle Mountain Project involves complex technical issues involving multiple parties, Metropolitan believes the Integrated Licensing Project is more appropriate than the less rigorous TLP pursuant to the factors set forth in 18 C.F.R. § 5.3(c)(1)(ii).

8. Seepage: Eagle Crest proposes to use three feet of fine tailings in the reservoirs to reduce seepage, resulting in an estimated total seepage rate of 600 acre-feet per year. Fine tailings are expected to range from silty sand to clayey silt. Given that the permeability of the tailings proposed may be relatively high even for the proposed sealing material, actual seepage rates likely will require further study. Additionally, analysis of the project will need to address the structural effects of increased seepage on Metropolitan's Colorado River Aqueduct. Increased hydrostatic pressure against the lining of the CRA itself could adversely affect its stability, resulting in potential risks of seepage into the CRA's conveyed water supplies. Hydrostatic pressure is a complex matter that needs further study before approval of the Eagle Mountain Project.

9. Water Quality: Existing groundwater in the vicinity of the Eagle Mountain Project contains several constituents of concern, including total dissolved solids, nitrates, arsenic, and hexavalent chromium. Although reverse osmosis may be appropriate to treat total dissolved solids and nitrates, it may be ineffective for other constituents. Further study is warranted to assess the viability of Eagle Crest's reverse osmosis method and potential treatment alternatives. Additional analysis also should take place to assess potential leaching of heavy metals from the site and any potential impacts on water supplies traveling through the CRA.

10. Groundwater Impacts: Potential groundwater impacts of the project are complex. Data from monitoring wells adjacent to the CRA suggests that the aquifer underlying the Chuckwalla Valley is more confined than previously understood. Therefore, the projected drawdowns and water level impacts could be more than anticipated in the PAD. Additional evaluations should be performed to address these issues.

11. Brine Disposal: Brine disposal ponds associated with the project could have material impacts on water supplies conveyed through the CRA. Metropolitan is actively involved with efforts throughout the Colorado River Basin to control salinity of Colorado River water supplies. Additional analysis will be necessary to adequately assess the potential seepage impacts of these ponds in light of Metropolitan's operational salinity criteria and other factors.

12. Hydrocompaction: Hydrocompaction occurs when water is added to the land surface, causing subsidence of lands. Desert soils are particularly susceptible to this phenomenon. Acute land subsidence in the vicinity of the CRA would create significant operational problems for Metropolitan. In order to assess the potential impacts of the project, a detailed technical study of hydrocompaction associated with the Eagle Mountain Project will be necessary.

13. For the reasons discussed above, Metropolitan believes that the Eagle Mountain Project should proceed with the more rigorous and comprehensive technical review provided by the Integrated Licensing Project.

Dated: February 11, 2008

Respectfully submitted,

Peter E. von Haam, Senior Deputy
General Counsel

The Metropolitan Water District of
Southern California
P.O. Box 54153
Los Angeles, CA 90054-0153

Tel: 213-217-6726

Fax: 213-217-6890

Email: PVonHaam@mwdh2o.com

CERTIFICATE OF SERVICE

I hereby certify that I have, this 11th day of February 2008, served a copy of the foregoing document by first class mail, postage prepaid and/or by electronic mail, on each person designated on the service list compiled by the Secretary in this proceeding.

Teresa J. Maropoulos
Metropolitan Water District of Southern
California
P.O. Box 54153
Los Angeles, CA 90054-0153

Tel: 213-217-6045
Fax: 213-217-6890
Email: tmaropoulos@mwdh2o.com